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CAAD prior to 5-25-62 meeting with
DCI.
To ATSON 6/1/62.

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The limited comprehensive review of Central Intelligence Agency (CIA) activities, initiated in December 1959, was made pursuant to the interest indicated by the Special Subcommittee, Central Intelligence Agency of the House Committee on Armed Services, at an executive hearing in May 1959.

In our reviews we are denied access to the covert (sensitive security operations) of CIA, including administrative activities in support of sensitive operations. We have had no access whatsoever to activities of the Plans Component of CIA. We are unable to evaluate the administrative activities performed in the Support Component of CIA because the activities in support of sensitive operations are not separated from those in support of nonsensitive operations. These administrative activities such as procurement, contracting, supply, and budgeting are areas where the General Accounting Office audits are usually productive of significant evaluations. We do have sufficient access to make reviews of the overt operations of the Intelligence Component, but it is our opinion that such reviews will not be productive of significant evaluations on a continuing basis because (1) we cannot feasibly evaluate the extent to which needed overt information is available for collection or determine the need for the intelligence information selected for collation and use in the production of intelligence reports and in the production of finished intelligence, and (2) such a great quantity of information is available that about 90 percent of the annual expenditures of the Intelligence Component relates to payroll and other contractual

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payments for personal services rendered in selecting on the basis of personal judgement under broad guidelines established by the intelligence community the specific information to be collected, collated and used in the production of intelligence.

By letters dated May 16, 1961, to the Chairman of the Special Subcommittee and the Director, The Comptroller General set forth these opinions and conclusions. In these letters the Comptroller General the audit findings that we believe that (1) CIA is financing certain Library of Congress activities which substantially transcend CIA's interest and responsibility for providing a centralized reference service as a service of common concern to the intelligence community.

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The Chairman of the House Committee on Armed Services advised the Comptroller General by letter dated May 18, 1961, that the points raised in the May 16, 1961, letter should be the subject of discussions between the Committee, GAO, and CIA, and he very strongly recommended that the audit should not be discontinued until such time as the national interest permits such discussions to be held. The Chairman stated also that the Subcommittee on CIA was of the firm opinion that even a limited audit of overt accounting actions would serve a worthwhile purpose. (It should be noted that GAO could make a voucher-type audit of transactions processed in the Fiscal Division of the Office of the Comptroller, CIA, which transactions are not of a confidential nature, and which include payrolls.)
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not be productive of any satisfactory conclusions or of results commensurate with the efforts involved.)

The Director, CIA, advised the Comptroller General by letter dated May 17, 1961, that over the years the audit had been beneficial and he expressed regret on the plan to discontinue the audit completely. He expressed the desire to discuss with the Comptroller General the possibility of continuing an audit on some scale before final action is taken.

By letters dated May 23, 1961, the Comptroller General advised the Chairman and the Director that based on the Chairman's firm belief that the audit should not be discontinued, our limited audit program will be continued. The Chairman was advised also that in view of the stated interest to further consider the contents of our letter of May 16, 1961, we shall be prepared to meet with the Subcommittee at its convenience.

Our conclusions and opinions on the limitations on our access to audit the administrative activities of the Support Component are based on preliminary surveys of the Budget, Finance, Fiscal, and Industrial Contract Audit Divisions of the Office of the Comptroller, CIA; the Procurement, Supply, Transportation, and Printing Services Divisions of the Office of Logistics; the Audit Staff; and the Management Staff.

Our conclusions and opinions on the audit of activities of the Intelligence Component are based on reviews of selected activities of six of the eight organizational units of the component.

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We reviewed the overt activities of the Offices of Operations, Central Reference, Basic Intelligence, Research and Reports¹, National Estimates¹, and Scientific Intelligence¹, to determine [redacted] on a selective basis whether these activities are effectively and economically carried out and are in accordance with basic authorizing legislation, National Security Council Intelligence Directives and other regulations, and whether adequate administrative procedures are used to guide and control the activities of these Offices.

Certain organizational changes have been recently made or are in the process of being made. We understand that the significant changes include: (1) separating to the extent possible the functions of the Director of Central Intelligence from those of the Director of the Central Intelligence Agency, (2) creating the position of Executive Officer, (3) creating two new staff committees reporting to the Director — an Executive Committee and a Financial Policy and Budget Committee, (4) creating a Research Component from certain units in Plans and Intelligence, which Component will be at the same organizational level as the Plans, Intelligence, and Support Components, (5) elevating in the organizational structure the stature of the Offices of Comptroller and General Counsel by removing them

¹ The reviews of these Offices are presently being made. We have certain questions on programming and research guidelines involving these three Offices.

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from the Support Component and establishing them as separate Offices reporting to the Director, and (c) transferring the Audit Staff from the Support Component to the office of the Inspector General.

There recently have been significant changes in the officials occupying key positions in the CIA, including:

Director	-- Mr. McCone
Deputy Director	-- General Carter
Executive Officer	-- Mr. Kirkpatrick formerly Inspector General, CIA
Deputy Director (Plans)	-- Mr. Helms formerly in Plans
Deputy Director (Intelligence)	-- Mr. Cline who we understand is new to CIA
Deputy Director (Research)	-- Mr. Scoville formerly Director, Office of Scientific Intelligence
Comptroller	-- Mr. Bross who is of legal background and who was formerly in overseas and headquarters activities of Plans Component
Inspector General	-- [redacted] (former affiliation is not known.)

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